

**CTED Annexation Advisory Committee  
Identification of Annexation Barriers and Strategies (October 14, 2004)**

This is a work in progress that will be developed as we gather data and receive input from the advisory committee. It will be important to remain mindful of the differences between these counties and cities and the counties and cities not included in the study. Recommendations should be made with consideration as to how they might apply statewide.

<b>County and city taxing authority/Capital facility funding</b>	
<b>Barriers</b>	<b>Strategies</b>
<ul style="list-style-type: none"> <li>• County financing insufficient to support city standards in unincorporated UGAs.</li> <li>• County standards not always deficient, just different from city standards.</li> <li>• County investment is lost with annexation. There is no reimbursement from the annexing city, so the county is reluctant to make the investment.</li> <li>• State funding is inadequate for maintaining LOS for incorporations.</li> <li>• Lack of financing or financing mechanism to help the transition from county to city.</li> <li>• \$3.5 million deficit in operating service costs for a residential annexation area (Kirkland)</li> <li>• Can't spend impact fees on planning for capital facilities.</li> </ul>	<ul style="list-style-type: none"> <li>• The county should plan to the city's standards within the UGA. Will need to deal with counties that would have to administer a variety of codes (39 in King County), the liability of applying someone else's standards, and union issues.</li> <li>• Use the Intergovernmental Cooperation Act to allow processing of permits outside the city by the city.</li> <li>• There should be a variety of funding tools available for counties and cities to address the unique issues they are facing.</li> <li>• Need a process that can make everyone whole financially.</li> <li>• Need state grants for neighborhood planning prior to annexation – will increase citizen understanding of the process and relationship with the city.</li> <li>• Need a transition funding mechanism.</li> <li>• Need state funding for local jurisdictions to implement the state GMA rather than more local options or funding shifts.</li> <li>• Funding should be for both capital and operating expenses – need operating expenses to allow a city to ramp up for providing a new service.</li> <li>• If an interlocal agreement is in effect, get preference points for state infrastructure funding – e.g. grants or low interest loans.</li> </ul>

	<ul style="list-style-type: none"> <li>• Don't require an interlocal agreement to get preference, rather require a joint application by the county and city and/or special districts. For example, a joint application for infrastructure in a potential annexation area (PAA). Consider giving more points for including special districts.</li> <li>• State should provide matching funds for investment in facilities needed for transition. Possible sources of state funding for transition include a temporary pledge of the following: <ul style="list-style-type: none"> <li>○ The Land Use Study Commission's recommendation that counties and cities planning under the GMA be authorized to impose a one percent sales tax on new construction. The tax would be a credit against the state sales tax.</li> <li>○ Earmark more of the state's Real Estate Excise Tax (REET) for infrastructure funds such as the Public Works Trust Fund. State has a broader range of uses for REET than locals.</li> <li>○ State utility tax</li> <li>○ State property tax</li> </ul> </li> <li>• Should a county and city reach an agreement, they should be able to access state funding and to annex under a different method that does not require petitions or a vote.</li> <li>• In order to qualify for state funds, there should be a demonstrated deficiency in capital or operating funds.</li> <li>• Cities should be able to impose a utility tax surcharge in the annexation area for capital or operating expenses to ramp up for a service in an annexation area. (need to consider implications for cities that currently collect utility taxes outside the city for city services and other purveyors in the area) The utility surcharge could either be imposed through a simple majority vote of the citizens or by the council. If a vote, it would be part of the vote on</li> </ul>
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	<p>the annexation and assumption of debt.</p> <ul style="list-style-type: none"> <li>• Authorize county utility tax and earmark for potential annexation areas and make it available at the time of annexation.</li> <li>• The utility tax surcharge could be collected during a pre-determined transition period that would cover a set amount of time before and after annexation (or incorporation). Some said it should be collected for 3 – 5 years, others said that up to 12 years is needed to accumulate the funding to ramp up services.</li> <li>• Expand the use of the 0.08 local sales/use tax to the seven more urban counties to finance infrastructure in urban growth areas (alternately, do not limit to UGAs). The diversion could generate up to \$55 million annually for those seven counties. Consider the unintended consequences (e.g. spur incorporation)</li> <li>• Create state entitlement fund for annexation based on a formula.</li> <li>• Consider state bonding for capital improvements.</li> <li>• Reduce the lag time between annexation and receipt of property and sales tax revenues by an annexing city.</li> <li>• Allow for the creation of annexation capital facilities districts as municipal corporations and independent taxing units to facilitate annexation.</li> </ul>
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<b>Role and authority of boundary review boards</b>	
<b>Barriers</b>	<b>Strategies</b>
<ul style="list-style-type: none"> <li>• The BRB criteria don't match GMA requirements.</li> <li>• Role of the BRBs not clear post-GMA.</li> <li>• It is not clear how the BRB should treat the statutory "urban in character" objective given the</li> </ul>	<ul style="list-style-type: none"> <li>• Clarify the statute regarding the objectives, including the "urban in character" objective.</li> <li>• Revise the "urban in character" objective to reflect designation of urban growth areas.</li> </ul>

<p>fact that no area can be considered that has not been designated part of the UGA by the county</p> <ul style="list-style-type: none"> <li>• County legislative authorities do not want to take over BRB duties.</li> </ul>	<ul style="list-style-type: none"> <li>• Make the GMA and annexation statutes more consistent – e.g. application of the GMA goals</li> <li>• Eliminate the BRBs.</li> <li>• All UGAs should automatically become cities.</li> <li>• Retain the BRBs for public process on annexations.</li> <li>• Prohibit provision of urban services (or development, regardless of service level ) until annexed (Oregon model)</li> <li>• BRBs are needed as a safety mechanism for the process.</li> <li>• Need to associate UGAs with cities (potential annexation areas).</li> <li>• Shouldn't associate UGAs with cities because they may be too big to annex and need to be incorporated separately.</li> <li>• BRB could be objective party to educate public.</li> </ul>
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<b>GMA and annexation processes</b>	
<b>Barriers</b>	<b>Strategies</b>
<ul style="list-style-type: none"> <li>• City development standards different than special districts</li> <li>• Lack of public understanding of process.</li> <li>• Statutes are cumbersome, GMA and annexation statutes don't match. There is no linkage between the two statutes.</li> <li>• Cities cannot do an active public relations campaign for annexation.</li> <li>• The process is expensive and out of proportion for small annexations.</li> <li>• Counties have a difficult time working with the development standards of multiple cities within the UGA.</li> <li>• Problem is made worse by development in unincorporated UGAs by counties at a lower LOS, widening the discrepancy from city LOS.</li> <li>• Counties and cities are not doing joint planning to ensure the same LOS in UGAs.</li> <li>• Special districts often oppose annexations.</li> <li>• The size of some UGAs/annexation areas in relation to an existing city can be overwhelming.</li> <li>• County-wide planning policies are difficult to revise.</li> <li>• Predictability problems discourage investment.</li> <li>• Counties cannot initiate annexations.</li> <li>• "Islands" are still an issue. The recent legislation helped, but more needs to be done as</li> </ul>	<ul style="list-style-type: none"> <li>• Limit standing to challenge annexations.</li> <li>• Give the counties authority to initiate an annexation.</li> <li>• Limit referenda (perhaps only in urban counties?).</li> <li>• On "islands" bill, raise the 10% threshold to a small majority, e.g., 51%, 60%.</li> <li>• Re-structure the public involvement process.</li> <li>• Require involvement of citizens and special districts earlier in the process <ul style="list-style-type: none"> <li>○ "UGA" equals "Annexation Area"</li> <li>○ Require intergovernmental agreements.</li> </ul> </li> <li>• Require CWPPs to identify "potential annexation or incorporation areas" in the six counties.</li> <li>• Authorize a utility tax surcharge for the transition period – requiring voter approval like assumption of indebtedness.</li> <li>• Add new tools so a variety of approaches are available to match the variety of situations. In doing this, keep responsibility and authority together.</li> <li>• Create separate methods for large and small annexations.</li> <li>• Don't put land in the UGA unless a city is willing to annex it.</li> <li>• Put a moratorium (urban holding overlay) on expanding the UGA unless it will be annexed with urban services.</li> <li>• SHB 1801 - authorize annexation based on commitment to provide water and sewer.</li> <li>• Limit standing to challenge annexations, except BRB decisions, to superior court.</li> <li>• Need a statutory mechanism for an area that won't incorporate and a city will not annex.</li> </ul>

<p>demographics and the provision for a referendum are still problems.</p> <ul style="list-style-type: none"> <li>• Interlocal agreements are not being used fully.</li> <li>• Cities can't get revenues from property taxes for two years after annexation occurs.</li> <li>• A county's development review costs are lost if annexation occurs before a permit is issued.</li> <li>• The double petition method of annexation is not being used (only aware of one instance) because it is hard for cities to get the support of landowners <u>and</u> registered voters</li> <li>• Need a way to deal with an area that won't incorporate and that a city cannot take on.</li> <li>• Annexation and incorporation does not reduce the level of permit activity in the UGA.</li> <li>• Petition verification required by the county auditor is onerous for a city</li> <li>• Contractual problems with transfer of services under interlocal agreements.</li> <li>• Liability issues under an interlocal agreement when permitting is delegated.</li> </ul>	<ul style="list-style-type: none"> <li>• AWC and WSAC bill with benefits of skipping the annexation/BRB process if an interlocal is entered into between the city and county</li> <li>• Change the requirement for the petition method of annexation from 75% of assessed value for non-code cities and towns to match the 60% requirement for code cities.</li> <li>• Make the petition method requirement for both code and non-code cities and towns to be 51% of assessed value (simple majority).</li> <li>• Revise 1755 to require cities to do extraterritorial planning for urban islands that the county must match in its planning regarding zoning and density.</li> <li>• Make it easier to annex under 1755 by eliminating the referendum requirement.</li> <li>• Eliminate all unincorporated islands on a date certain.</li> <li>• Provide incentives for entering into a interlocal agreement, e.g.: <ul style="list-style-type: none"> <li>○ If sign an interlocal with a public process, can annex without a referendum</li> <li>○ Don't identify what should go in an interlocal agreement, leave that up to what the county and city need</li> <li>○ Funding</li> </ul> </li> <li>• Amend the Interlocal Cooperation Act to address contractual and liability problems</li> </ul>
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<b>Political issues</b>	
<b>Barriers</b>	<b>Strategies</b>
<ul style="list-style-type: none"> <li>• Elected official opposition and reluctance to enter into interlocal agreements.</li> <li>• County/city differences in densities and land uses.</li> </ul>	<ul style="list-style-type: none"> <li>• SB 2593 re interlocals</li> </ul>
<b>Citizen opposition/apathy</b>	
<b>Barriers</b>	<b>Strategies</b>
<ul style="list-style-type: none"> <li>• Voter apathy.</li> <li>• Many communities have a strong local identity where citizens have no relationship with the annexing jurisdiction.</li> <li>• The process can create hostility among neighbors.</li> </ul> <p>Residents want to stay “rural”. They expect (correctly or incorrectly) that taxes will go up with annexation. They don’t want changes in their utility service and rates, charges for mandatory garbage collection, or stricter animal control ordinances.</p>	